

Message Text

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ORIGIN NEA-07

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DRAFTED BY NEA/EGY:GGBROWN:PM

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FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 122123

LIMDIS

E.O. 11652: GDS

TAGS: ECON, EG

SUBJECT: TWO BANKS VIEWS OF GOE ECONOMY

1. REPRESENTATIVES OF BOTH MORGAN GUARANTY TRUST COMPANY AND FIRST NATIONAL BANK OF BOSTON CAME TO DEPARTMENT MAY

14. BOTH CONCERNED WITH STATE OF EGYPTIAN ECONOMY AND SHORT TERM PROSPECTS. BANKING COMMUNITY IN NEW YORK IS APPARENTLY WELL AWARE OF GOE LIQUIDITY DIFFICULTIES.

2. FIRST BOSTON HAS ONLY FIVE OR SIX MILLION DOLLAR OUT-
STANDING SHORT TERM LOAN DIRECTLY TO GOE AND NOTED GOE
BEHIND IN PAYMENTS. WHILE CONCERNED, THEY ARE TREATING IT
AS MECHANICAL DIFFICULTY OF GOE IN MEETING DEADLINE AND DO
NOT PROPOSE TO PUSH GOE TOO HARD AT THIS POINT. BANK SEEMS
TO BE TAKING LONG-RANGE VIEW THAT EGYPT WILL BE A GOOD
CUSTOMER IN A FEW YEARS AND THEREFORE NOT APPROPRIATE TO
APPLY UNNECESSARY PRESSURE ON GOE IF THIS CAN POSSIBLY BE
AVOIDED. HOWEVER, BANK NOTED THAT IT WOULD NOT INCREASE
ITS EXPOSURE DIRECTLY TO GOE. BANK IS CONSIDERING IN-
CREASING ITS LOANS TO ARAB INTERNATIONAL BANK AND ARAB-
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AFRICAN BANK. REP SAID ARAB INTERNATIONAL BANK ESPECIALLY
BUSINESSLIKE IN ITS PERFORMANCE AND CONSIDERED EXCELLENT
CLIENT AND A GOOD CUSHION FOR DIRECT DEALINGS WITH GOE.

3. MORGAN HANDLES DEMAND DEPOSITS IN U.S. WITH GOE AND HAS OUTSTANDING 180 DAY CREDIT LINE OPEN UP TO DOLS 35 MILLION . MORGAN RELATIONSHIP WITH GOE GOES BACK TO EARLY PART OF CENTURY AND MORGAN ALSO DOES NOT WANT TO PUNISH GOE FOR SHORT-TERM DIFFICULTIES. GOE HAS TRADI-

TIONALLY KEPT GOOD BALANCE ON CASH COLLATERAL BASIS. CURRENT CREDIT WILL PROBABLY COME DOWN TO 10-15 MILLION RANGE AS IT WAS PUSHED UP FOR TRADE DEAL FOR IMPORTANT U.S. CLIENT OF MORGAN'S. MORGAN HESITANT TO GO FURTHER ON SHORT TERM AND VERY HESITANT TO GO UP AT ALL ON LONG TERM. WAS WILLING TO ORGANIZE CREDIT FOR GENERAL MOTORS SALE OF DOLS 40 MILLION TRUCKS BUT APPARENTLY SALE FELL THROUGH AND THUS CREDIT NOT EXTENDED. MORGAN ALSO IN CONTACT WITH MORRISS-KNUDDESSON FOR POSSIBLE FINANCING OF ABOUT DOLS 400 MILLION WORTH OF PROJECTS. DEPARTMENT WILL PROVIDE MORE INFO ON THESE PROJECTS BY SEPTEL. FOR THE HISTORICAL RECORD, MORGAN REP NOTED THAT LATE LAST YEAR SPECIAL EGYPTIAN COURIER ARRIVED AT MAIN NEW YORK OFFICE ON TWO SEPARATE OCCASIONS WITH CHECKS SIGNED BY KING FAISAL FOR GOE RESPECTIVELY FOR DOLS 175 MILLION AND DOLS 125. MONEY APPARENTLY STAYED IN ACCOUNT LESS THAN 24 HOURS.

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